

The complaint

Mrs T and Mr T complains Barclays Bank UK PLC (Barclays) failed to honour an interest only mortgage it had previously agreed to and didn't provide any financial support despite being told of their circumstances.

What happened

Mrs T and Mr T says in November 2020 Barclays agreed to an interest rate switch offer on an interest only basis on their mortgage, for a period of two years. Mrs T and Mr T says despite this Barclays wrote to them in January 2021 to inform them their mortgage was reverting back to a capital and interest basis, meaning a substantial increase in their contractual monthly payments (CMP), which they couldn't afford. Mr T says he contacted Barclays about this and informed them of their financial vulnerability, but Barclays did nothing to support them and continued to chase for payment of arrears and simply directed them to a phone number to contact.

Mrs T and Mr T want Barclays to stop chasing them for the arrears, to provide help and support to take into account their financial situation, and for it to explain how it can withdraw the offer of a two- year interest only mortgage.

Barclays says it apologised for the confusion created over the interest rate offer, issued in November 2020 and offered Mrs T and Mr T £150 by way of an apology. Barclays reiterated Mrs T and Mr T didn't qualify for an interest only mortgage and they should contact its customer home assistance team to see what support could be made available to them.

Mrs T and Mr T wasn't happy with Barclays response and referred the matter to this service.

The investigator looked at all the available information and upheld the complaint. The investigator says while it was made clear to Mrs T and Mr T that the interest only arrangement was only temporary, this was unclear when Barclays issued the mortgage offer in November 2020, when the interest rate product was changed. The investigator also felt Barclays could have done more to support Mrs T and Mr T when it became aware of their financial difficulties and could have extended the interest only arrangement for 12 months, rather than the three months it agreed in November 2020.

The investigator felt Barclays should re-calculate and adjust the mortgage to show the interest only concession being in place for 12 months from November 2020 and for Mrs T's and Mr T's credit file to be amended to reflect this. Furthermore, the investigator asked Barclays to come to a payment arrangement with Mrs T and Mr T to repay any arrears that would have accrued post November 2021 and increase the compensation offered to £300.

Barclays didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

I sent both sides a provisional decision, where I said:

I've considered all of the evidence and arguments to decide what's fair and reasonable in the

circumstances of this complaint.

Having done so, I have come to a different outcome to that of the investigator and I will explain how I have come to my decision.

I can see that Mrs T and Mr T have been through a difficult time financially and were like many others, impacted by the effects of the Covid pandemic and that must have been a stressful time for them both.

When looking at this complaint I will consider if Barclays acted fairly when it reverted Mrs T and Mr T's mortgage back to a capital and interest repayment method in February 2021, from the interest only (IO) concession it had previously put in place. Additionally, I will look at whether Barclays could have done more to support Mrs T and Mr T after the IO concession had come to an end, and whether it was right of Barclays to mark their credit files when it did.

The first thing to say is I have to take into account the fact this happened during the Covid pandemic which affected both business and customers alike.

It's worth saying that Barclays have provided this service with a sizeable amount of correspondence and phone calls and while that has proved useful, I won't be commenting on every piece of correspondence provided as I don't think that's necessary for me to come to a full and impartial decision. That's not to say I haven't listened to all the phone calls and considered the information provided - I have.

I should say that Barclays did provide support back in May 2020, when it was told by Mrs T and Mr T they were struggling due to the Covid pandemic. At this point I can see Barclays agreed to an initial three month Covid payment holiday and this was extended by a further three months until October 2020, in line with the guidance provided by the Financial Conduct Authority – and that is what I would expect here.

I have listened to a call recording from October 2020, during which Mr T explains he wasn't able to meet the CMP's due from November 2020. During that call Mr T asked what options were available to him, as he didn't want his credit file affected and then went through a comprehensive income and expenditure profile with a Barclays advisor. It was clear during that call, Mr T's income couldn't meet his current expenditure and Mrs T and Mr T were only just able to meet their mortgage payments, if an IO option was agreed.

During the same telephone call, Mr T enquired if his mortgage could be changed to a permanent interest only basis and was told that he wouldn't qualify for this and they're very difficult to get. So what is clear at this point is Mr T was made fully aware this option longer term wasn't available, and more importantly that the IO concession was just that, for three months, which was subsequently confirmed in writing to both Mrs T and Mr T on 13 October 2020.

Where matters get confused here is shortly after the temporary IO concession was agreed, in November 2020, it seems via their own broker Mrs T and Mr T applied for a new interest rate product on their mortgage, which was approved and confirmed in writing by Barclays. So, while Mrs T and Mr T might have believed this was an agreement to change the mortgage to IO, it wasn't. The fixed rate interest product is separate to the mortgage itself and at the time the new interest product was applied for, the mortgage was on a temporary interest only basis, as previously advised and discussed with Mrs T and Mr T.

That said I agree the letter sent by Barclays could have been clearer, but I can't see that Mrs T and Mr T ever applied for a change to their mortgage repayment basis, nor why they would

do that, given only a few weeks before, Mr T was told they wouldn't qualify for it. That said, given the letter about their mortgage and interest rate product issued in November 2020 wasn't clear, I agree Barclays should apologise and offer a compensation payment, which it has.

What seems to have happened once Mrs T and Mr T were made aware that they needed to commence with the CMP's from February 2021, a complaint was raised by Mr T and correspondence over this ensued without either party discussing a practical way forward. Mr T says he received telephone calls and letters from Barclays about the arrears and complained about this. That said, it's not clear why Mr T didn't contact the phone number for the customer home assistance team provided to him, who may have been able to help. I say this bearing in mind by this juncture, Mrs T and Mr T had been informed, even if they didn't agree, that an IO mortgage wasn't in place and CMP's needed to resume.

Having said that, like the investigator I'm of the opinion rather than Barclays simply referring to a home assistance team and responding to the complaint about the mortgage letter, it could have been a little more proactive. I say this because it had become clear Mrs T's and Mr T's financial position was difficult and it could have agreed an appropriate payment plan, as it would have pre any Covid guidance.

Where I disagree with the investigator is how matters should be put right, and it's not for me to tell Barclays it must agree a 12-month interest only concession, post a six-month Covid holiday having already been agreed.

So here, I am satisfied a more practical outcome would be to consider what in all likelihood should have happened in February 2021 after the temporary IO mortgage arrangement had come to an end and Mrs T and Mr T not being able, at that time, to be in a position to commence the capital and interest repayments. I would expect that most banks, Barclays included, at that point would in all likelihood, have put in place a payment plan, perhaps reviewed regularly in light of Mrs T's and Mr T's changing financial situation, to take into account any arrears outstanding. Such a payment arrangement of course would mean this would be recorded with the relevant credit reference agencies as that would only be fair, but this is potentially less damaging than missed payments or arrears being recorded.

While Mrs T and Mr T nor Barclays may not be happy with my provisional decision, I am satisfied this is a more appropriate outcome here.

I gave both Mrs T and Mr T and Barclays until 29 September 2022, to accept or reject my provisional decision. Both parties have responded to my provisional decision and so the case has been passed back to me to make a final decision.

Both Mrs T and Mr T and Barclays have accepted my provisional decision, although Barclays wanted to clarify some of the points I have made regarding the actions it needed to take. Barclays have pointed out it will report to the credit reference agencies (CRA) that an arrangement was in place from February 2021, replacing what was previously reported as missed payments. Barclays have made the point it has no control on what the CRA's will show and it's possible that Mrs T's and Mr T's arrears will also be reported by them.

I understand the point Barclays make here and all I can ask them is to report to the CRA's a payment arrangement was in place from February 2021 and not report missed payments, as this type of marker would be potentially more damaging to Mrs T and Mr T. After all it's fair to say, even with a payment arrangement in place that wouldn't have prevented arrears accruing, only that an agreement was in place to temporarily support Mrs T and Mr T, and perhaps I could have made that clearer in my provisional decision.

Barclays have also agreed to discuss a payment plan, but this would be subject to affordability being assessed based on Mrs T's and Mr T's monthly disposable income. Barclays have made the point that if the affordability assessment shows surplus income it would be able to provide solutions for the current arrears, but if not Mrs T and Mr T would need to seek independent financial advice. I understand the point Barclays make here and I agree this makes sense in the circumstances. In my provisional decision, what I was asking for was an agreeable and workable payment plan to be put in place, clearly that can only be done based on affordability. To clarify, what is important is that Barclays show support to Mrs T and Mr T at this time and provide guidance on what to do next if there is a negative monthly disposable income position, following those discussions.

Taking these points into account I have made a slight change to my provisional decision for the point of clarity regarding the actions Barclays need to make. Where I said :

I propose Barclays remove any missed payments marked on Mrs T's and Mr T's credit file and request the credit reference agencies to replace this with a payment arrangement marker from February 2021. Barclays should also discuss a payment plan with Mrs T and Mr T, following an affordability assessment to deal with the mortgage arrears or to provide advice to them of what steps to take if a payment plan isn't possible, due to a negative monthly disposable income position.

I propose that Barclays should also pay the £150 it previously offered to Mrs T and Mr T.

I gave both Mrs T and Mr T and Barclays until 27 October 2022 to accept or reject my second provisional decision, which on mutual agreement was extended until 4 November 2022. Both parties have responded to my second provisional decision, so the case has been passed back to me to make a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Barclays have ultimately agreed with my second provisional decision but have made the point it cannot tell the CRA's how they report a payment arrangement on its credit files. To be clear here, I am simply asking Barclays to inform the CRA's that a payment arrangement was in place from February 2021. I say this as that is different to advising the CRA's of missed payments that weren't authorised, instead these should be advised to the CRA's as a mutually agreed payment plan for the reasons I explained in my provisional decision.

Mrs T and Mr T didn't agree with my second provisional decision and they have asked that I tell Barclays how to deal with their arrears going forward and remove the arrears flag on their mortgage account. Additionally, Mrs T and Mr T have suggested that Barclays consider their financial vulnerability and collect the arrears balance over the remaining term. Mrs T and Mr T says the investigator's original suggestion of £300 by way of compensation was more appropriate than the £150 proposed in my provisional decision.

I understand the points Mrs T and Mr T make here, but it's not for me to tell Barclays how it must deal with the arrears that have accrued on the mortgage account, all I can ask and as Barclays have agreed to, is for both parties to discuss a workable way forward based on a comprehensive affordability assessment being completed, taking into account Mrs T's and Mr T's current financial position - I am satisfied that is in the best interests of both parties here.

As far as removing the "flag on their mortgage account" that Mrs T and Mr T refer to, I have

asked Barclays to let the relevant CRA's know a payment arrangement was in place from February 2021 and these weren't missed payments, and that's for the CRA's to accurately record. That said even if a payment arrangement had been agreed in February 2021, that wouldn't have prevented arrears accruing and needing to be dealt with at some point.

Mrs T and Mr T have also asked me to tell Barclays it must agree to a new interest rate product applied for in October 2022, via their broker, but that wasn't part of their original complaint to this service – so that's not something I can consider. That said it's fair to say as the mortgage account is in arrears as explained before, part of the discussions to be held, should include what interest rate product is appropriate going forward, on the understanding any new payment arrangement is affordable. Afterall if an affordability assessment shows a shortfall, then Mrs T and Mr T may need to consider independent financial advice.

Mrs T and Mr T believe the £150 offered by Barclays isn't sufficient for the trouble and upset here and the £300 suggested by the investigator is more appropriate. But here, the redress proposed refers to whether or not Barclays letter regarding the interest rate product in November 2020 was clear enough and I agreed perhaps it could have been clearer. That said, I am satisfied that alone wouldn't warrant a higher level of compensation than the £150 Barclays offered, after all, as I previously explained, Mrs T and Mr T would have been reasonably aware they wouldn't be eligible for an IO type mortgage.

With that in mind I see no need to fundamentally change or add to my provisional decision and so my final decision remains the same.

Putting things right

I instruct Barclays Bank UK PLC to advise the appropriate credit reference agencies that a payment arrangement plan was in place from February 2021 rather than missed payments.

I instruct Barclays Bank UK PLC to discuss a payment plan with Mrs T and Mr T, following an affordability assessment to deal with the mortgage arrears or to provide advice to them of what steps to take if a payment plan isn't possible, in the event of a negative monthly disposable income position.

I instruct Barclays Bank UK PLC to pay the £150 it previously offered to Mrs T and Mr T.

My final decision

My final decision is that I uphold this complaint.

I instruct Barclays Bank UK PLC to advise the appropriate credit reference agencies that a payment arrangement plan was in place from February 2021 rather than missed payments.

I instruct Barclays Bank UK PLC to discuss a payment plan with Mrs T and Mr T, following an affordability assessment to deal with the mortgage arrears or to provide advice to them of what steps to take if a payment plan isn't possible, in the event of a negative monthly disposable income position.

I instruct Barclays Bank UK PLC to pay the £150 it previously offered to Mrs T and Mr T.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T and Mr T to accept or reject my decision before 7 December 2022.

Barry White

Ombudsman